

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	42.66	5.50	7.75	55.91	6.00	8.00	56.66	56.66
Personal Services	2,159,785	475,911	518,120	3,153,816	502,169	661,107	3,323,061	6,476,877
Operating Expenses	2,373,103	2,820,818	394,277	5,588,198	2,765,801	378,724	5,517,628	11,105,826
Equipment	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	16,806,107	22,928,071	2,000,000	41,734,178	4,838,461	0	21,644,568	63,378,746
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	354,886	354,886	0	0	0	354,886
Total Costs	\$21,338,995	\$26,224,800	\$3,267,283	\$50,831,078	\$8,106,431	\$1,039,831	\$30,485,257	\$81,316,335
General Fund	1,960,812	5,348,556	3,051,084	10,360,452	5,277,116	773,958	8,011,886	18,372,338
State/Other Special	1,892,461	4,448,310	194,260	6,535,031	2,500,489	215,705	4,608,655	11,143,686
Federal Special	17,485,722	16,427,934	21,939	33,935,595	328,826	50,168	17,864,716	51,800,311
Total Funds	\$21,338,995	\$26,224,800	\$3,267,283	\$50,831,078	\$8,106,431	\$1,039,831	\$30,485,257	\$81,316,335

Agency Description

The Department of Commerce works with economic and community development organizations, businesses, communities, governmental entities, elected officials, and the public to diversify and expand the state's economic base through business creation and expansion, and retention and improvement of infrastructure, housing and facilities.

The department is composed of eight major divisions including Business Resources, Montana Promotion, Community Development, Housing, and Director's Office/Management Services divisions, as well as the Board of Research and Commercialization, the Montana Facility Finance Authority, the Montana Board of Investments, and the Montana Heritage Commission.

Agency Highlights

Department of Commerce Major Budget Highlights	
◆	Total funds for the department increase \$36.4 million from the 2007 biennium to the 2009 biennium, and 14.0 new FTE are added
◆	General fund increases \$14.4 million from the 2007 biennium due to: <ul style="list-style-type: none"> Continued funding for one-time-only economic development initiatives approved by the 2005 legislature, including <ul style="list-style-type: none"> The New Worker Training Program, \$8.0 million The Tribal Economic Development Grants Program, \$1.6 million The Main Street Program, \$0.2 million The Made in Montana Program, \$0.2 million New funding for other initiatives, including <ul style="list-style-type: none"> Biomedical Research Grant, \$2.0 million Montana Capital Investment Board, \$220,000 Restoring the Community Technical Assistance Program, \$332,000 Transferring the Tribal Economic Development Commission to the department, \$171,000

- Manufactured Home Renovation Revolving Loan program administration, \$459,000
- State special revenue increases \$6.1 million from the 2007 biennium due to:
 - Increased budget authority for existing programs, \$5.6 million
 - Establishing the Manufactured Home Renovation Revolving Fund, \$355,000
 - Statewide present law adjustments, approximately \$240,000
- ◆ Federal special revenue increases \$15.9 million from the 2007 biennium, due primarily to including one-time-only authority in HB 2 for the department to record expenditure accruals for outstanding pre-2004 federal grant awards.

Summary of Legislative Action

Economic development was the primary driver for the 2009 biennium legislative budget. The legislature renewed and expanded state investment in several economic development programs that were authorized by the 2005 Legislature as one-time-only initiatives. In addition, the legislative budget includes new investment of state funds in other economic development initiatives, including biomedical research and energy infrastructure promotion and development.

Funding

The following table summarizes funding for the agency, by program and source. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
51 Business Resources Division	\$ 16,360,801	\$ 4,710,722	\$ 11,590,604	\$ 32,662,127	40.17%
52 Montana Promotion Division	-	1,519,595	-	1,519,595	1.87%
60 Community Development Division	1,552,407	4,558,483	21,302,328	27,413,218	33.71%
74 Housing Division	459,130	354,886	17,456,087	18,270,103	22.47%
81 Director/Management Services	-	-	1,451,292	1,451,292	1.78%
Grand Total	<u>\$ 18,372,338</u>	<u>\$ 11,143,686</u>	<u>\$ 51,800,311</u>	<u>\$ 81,316,335</u>	100.00%

Other Legislation

House Bill 4 (2007 Special Session) – This bill includes funding for two projects within the Department of Commerce:

- \$2.0 million from the long range building fund for preservation and improvements at Virginia and Nevada Cities, Montana
- \$0.5 million from the general fund for the Cowboy Hall of Fame

House Bill 137 – This bill increases the revenue limitation that qualifies a business as a “microbusiness” for the purposes of seeking financial and other assistance from the Department of Commerce, from \$500,000 in annual revenues to \$1.0 million. This is the first revision to the revenue limitation since the statute was enacted in 1991.

House Bill 286 – The bill revises the amount of workforce training funding from the Big Sky Trust Economic Development program for each expected job from \$5,000 to \$7,500 for high poverty counties. The bill also allows more advantageous match requirements for loans and grants under the program for high poverty areas.

House Bill 480 – This bill appropriates \$25,000 general fund each year of the 2009 biennium to the Department of Commerce to be awarded to the Daly Mansion Preservation Trust for maintenance and restoration of the Daly mansion and grounds.

House Bill 574 – This bill appropriates \$50,000 general fund to the Department of Commerce to assist in the restoration and renovation of historical and cultural arts centers impacted by a disaster, as defined in 10-3-103, MCA, in communities that are at least 25 miles from another center. The department is required to use a competitive application process in awarding the grants.

House Joint Resolution 28 – This resolution requests the Legislative Council to designate an interim or statutory committee or direct sufficient staff resources to analyze and study the state of business infrastructure in Montana. This study has been assigned to the Economic Affairs Interim Committee for the 2009 biennium.

Senate Bill 69 – This bill increases the allocation of coal severance tax trust funds available for value-added and infrastructure loans made pursuant to 17-6-309(2), to enhance economic development and create jobs in the basic sector of the economy. The total allocation for infrastructure loans increased from \$50 million to \$80 million and the total allocation for value-added loans increased from \$50 million to \$70 million.

Senate Bill 88 – This bill indefinitely extends the allocation of lodging facility use tax (bed tax) to the Montana heritage preservation and development account for the benefit of supporting facilities and programs at Virginia City and Nevada City. Each year, \$400,000 of this tax is allocated to the Montana heritage preservation and development account.

Senate Bill 173 – This bill transfers the State-Tribal Economic Development Commission from the Office of the Governor to the Department of Commerce effective July 1, 2007 and increases the number of commission members from 10 to 11. The bill also makes the commission permanent.

Senate Bill 184 – This bill allows the Montana Heritage Preservation and Development Commission to construct buildings on historic sites without state architectural and engineering review and approval, unless review and approval is stated in specific state appropriations.

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	42.66	52.16	55.91	3.75	52.66	56.66	4.00	
Personal Services	2,159,785	2,827,001	3,153,816	326,815	2,853,486	3,323,061	469,575	796,390
Operating Expenses	2,373,103	6,958,320	5,588,198	(1,370,122)	6,749,892	5,517,628	(1,232,264)	(2,602,386)
Equipment	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	16,806,107	41,734,178	41,734,178	0	21,644,568	21,644,568	0	0
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	3,000,000	354,886	(2,645,114)	0	0	0	(2,645,114)
Total Costs	\$21,338,995	\$54,519,499	\$50,831,078	(\$3,688,421)	\$31,247,946	\$30,485,257	(\$762,689)	(\$4,451,110)
General Fund	1,960,812	12,764,909	10,360,452	(2,404,457)	7,540,279	8,011,886	471,607	(1,932,850)
State/Other Special	1,892,461	7,840,832	6,535,031	(1,305,801)	5,893,014	4,608,655	(1,284,359)	(2,590,160)
Federal Special	17,485,722	33,913,758	33,935,595	21,837	17,814,653	17,864,716	50,063	71,900
Total Funds	\$21,338,995	\$54,519,499	\$50,831,078	(\$3,688,421)	\$31,247,946	\$30,485,257	(\$762,689)	(\$4,451,110)

The total legislative budget for the Department of Commerce is \$4.5 million less than the executive budget due to:

- The legislature scaled back the Manufactured Home Renovation Program proposed in the executive budget, a \$2.6 million reduction in both general fund and state special revenue
- The legislature removed \$150,000 general fees for legal fees recommended in the executive budget for the Montana Capital Investment Board
- These reductions are offset by:
 - Increased general fund for an economic development initiative brought forth during the session for energy infrastructure promotion and development
 - Addition of the pay plan included in HB 13

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	24.16	5.50	1.00	30.66	6.00	1.00	31.16	31.16
Personal Services	1,222,526	427,771	95,271	1,745,568	450,631	167,410	1,840,567	3,586,135
Operating Expenses	1,268,663	2,428,237	45,469	3,742,369	2,403,889	45,526	3,718,078	7,460,447
Equipment	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	4,124,259	6,690,906	2,000,000	12,815,165	4,676,121	0	8,800,380	21,615,545
Total Costs	\$6,615,448	\$9,546,914	\$2,140,740	\$18,303,102	\$7,530,641	\$212,936	\$14,359,025	\$32,662,127
General Fund	1,736,790	5,320,353	2,129,308	9,186,451	5,250,856	186,704	7,174,350	16,360,801
State/Other Special	138,229	2,176,461	2,858	2,317,548	2,248,387	6,558	2,393,174	4,710,722
Federal Special	4,740,429	2,050,100	8,574	6,799,103	31,398	19,674	4,791,501	11,590,604
Total Funds	\$6,615,448	\$9,546,914	\$2,140,740	\$18,303,102	\$7,530,641	\$212,936	\$14,359,025	\$32,662,127

Program Description

The Business Resources Division is comprised of a variety of programs aimed at improving, enhancing, and diversifying Montana's economic and business climate. Working closely with the private sector, the Governor's Office, the Legislature, economic and community development partners, other department divisions, state agencies, and federal and private programs, the division strives to enhance the economic base of Montana through business creation, expansion, and retention efforts.

Business Resources Division responsibilities are mandated primarily in Title 30, Chapter 16; Title 17, Chapter 6; and Title 90, Chapter 1 and 10, MCA.

Program Highlights

Business Resources Division	
Major Budget Highlights	
◆	The legislature approved a significant general fund increase for this division as it continued several one-time-only economic development programs that were authorized by the 2005 Legislature <ul style="list-style-type: none"> • The New Worker Training Program, \$8.0 million and 2.00 FTE • The Tribal Economic Development Grants Program, \$1.6 million and 1.00 FTE • The Main Street Program, \$0.2 million and 1.00 FTE • The Made in Montana Program, \$0.2 million
◆	New general fund for other initiatives include: <ul style="list-style-type: none"> • Montana Capital Investment Board, \$220,000 and 2.00 FTE • Transferring the Tribal Economic Development Commission to the department, \$171,000 and 1.00 FTE

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table							
Business Resources Divis							
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009	
01000 Total General Fund	\$ 1,736,790	26.3%	\$ 9,186,451	50.2%	\$ 7,174,350	50.0%	
01100 General Fund	1,736,790	26.3%	9,186,451	50.2%	7,174,350	50.0%	
02000 Total State Special Funds	138,229	2.1%	2,317,548	12.7%	2,393,174	16.7%	
02044 Sbir Ebscor	6,921	0.1%	10,000	0.1%	10,000	0.1%	
02090 Business Asst-Private	5,980	0.1%	75,000	0.4%	148,209	1.0%	
02210 Microbusiness Admin Acct	84,896	1.3%	182,548	1.0%	184,965	1.3%	
02212 Microbusiness Loan Acct	-	-	2,000,000	10.9%	2,000,000	13.9%	
02563 Nat'L Dev. Cncl Training Funds	33,990	0.5%	35,000	0.2%	35,000	0.2%	
02791 Sbir Private Funds	6,442	0.1%	15,000	0.1%	15,000	0.1%	
03000 Total Federal Special Funds	4,740,429	71.7%	6,799,103	37.1%	4,791,501	33.4%	
03059 Community Development Block	4,206,604	63.6%	6,234,934	34.1%	4,222,086	29.4%	
03061 Eda Revolving Loan Fund	12,030	0.2%	17,858	0.1%	21,558	0.2%	
03207 Small Business Dev. Centers	521,795	7.9%	546,311	3.0%	547,857	3.8%	
Grand Total	\$ 6,615,448	100.0%	\$ 18,303,102	100.0%	\$ 14,359,025	100.0%	

This division's budget increases 162 percent in the 2009 biennium from the 2007 biennium, reflecting increases in all fund types. FY 2006 actual one-time-only appropriations are excluded from the base expenditures for biennial budget projections.

General fund increases are summarized in the program highlights table. Base level, on-going functions funded in whole or in part by state general fund include:

- Program Administration
- Census and Economic Information Center
- Regional Development Bureau
- Trade and international relations activities
- Entrepreneur Development Program /NxLevel
- Made in Montana program
- Match on federal funds for the administrative costs of the community development block grants and small business development centers

State special revenue increases significantly as the bill includes \$2.0 million each year from the micro business loan account to record loans to qualifying micro businesses in Montana. No loans were made in the base year.

Federal funds include Community Development Block Grants for Economic Development and Small Business Development Center grants. Federal special revenue increases \$2.0 million in FY 2008, one-time-only, to allow the department to record expenditure accruals for outstanding pre-2004 federal grant awards.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				247,397						252,031
Vacancy Savings				(58,799)						(58,982)
Inflation/Deflation				2,358						2,957
Fixed Costs				8,223						1,009
Total Statewide Present Law Adjustments				\$199,179		\$197,015				
DP 5101 - BRD New Worker Training HB0002- OTO										
2.00	3,997,361	0	0	3,997,361		2.00	3,997,450	0	0	3,997,450
DP 5103 - BRD Main Street HB0002- OTO										
1.00	123,496	0	0	123,496		1.00	123,548	0	0	123,548
DP 5104 - BRD Made In Montana HB0002- OTO										
0.00	100,000	0	0	100,000		0.00	100,000	0	0	100,000
DP 5105 - BRD Tribal Economic Development HB0002 – OTO										
1.00	798,496		0	798,496		1.00	798,548	0	0	798,548
DP 5106 - BRD Montana Capital Investment Board HB0002- OTO										
1.50	146,936	0	0	146,936		2.00	73,210	73,209	0	146,419
DP 5108 - BRD Federal Grants Adjustment HB0002- OTO										
0.00	0	0	2,014,785	2,014,785		0.00	0	0	0	0
DP 5109 - BRD Administrative Costs Adjustments HB0002										
0.00	71,547	2,083,310	11,878	2,166,735		0.00	72,448	2,083,409	11,880	2,167,737
DP 6015 - State Motor Pool Rate Change										
0.00	(20)	(2)	(52)	(74)		0.00	(21)	(2)	(53)	(76)
Total Other Present Law Adjustments										
5.50	\$5,237,816	\$2,083,308	\$2,026,611	\$9,347,735		6.00	\$5,165,183	\$2,156,616	\$11,827	\$7,333,626
Grand Total All Present Law Adjustments				\$9,546,914		\$7,530,641				

DP 5101 - BRD New Worker Training HB0002- OTO - The legislative budget funds the New Worker Training program approved by the 2005 Legislature and increases the funding to approximately \$8.0 million for the 2009 biennium from \$2.8 million for the 2007 biennium. This program is intended to provide funds to meet the training needs of employees working in expanding primary sector industries in Montana.

DP 5103 - BRD Main Street HB0002- OTO - The legislature included \$247,044 general fund to continue this program approved by the 2005 Legislature. Approval of this decision package constitutes a funding switch, as the 2005 Legislature funded the Main Street program using unrestricted highways state special revenue on a one-time-only basis.

DP 5104 - BRD Made In Montana HB0002- OTO - The legislative budget includes the executive's proposal for \$100,000 general fund annually to continue the Made In Montana program funding initiative designated as one time only during the last legislative session. Part of the 2007 biennium appropriation was used to provide support for the development of the aerospace and bioscience clusters in Montana. The funds were also being leveraged with the US Department of Commerce and the University of Montana to develop and deliver a pilot program of workshops and individual assistance to help Montana companies that sell the majority of their product outside the state of Montana with industrial marketing assistance. The executive budget proposed to continue both of these efforts in the 2009 biennium.

DP 5105 - BRD Tribal Economic Development HB0002 - OTO - The legislature increased general fund for this initiative approved in the 2005 session by \$0.6 million to approximately \$1.6 million general fund for the 2009 biennium. The projects funded in this initiative in the 2007 biennium support tribal business development projects, workforce training projects, entrepreneurial training, feasibility studies, and other types of Indian economic development activities and projects.

Semiannual progress reporting of goals and objectives for this program was included in HB 2. However, the Governor vetoed this language.

DP 5106 - BRD Montana Capital Investment Board HB0002- OTO - The legislative budget funds the State Capital Investment Board created in SB 133 by the 2005 Legislature. SB 133 gave the board authority to provide contingent, deferred tax credits to enable a funds manager to promote equity capital investments in Montana companies. The bill includes one-time-only funding for 1.5 FTE each year in FY 2008 and 2.0 FTE in FY 2009 and program costs totaling approximately \$443,000 for the biennium. The legislative budget funds the program for the first 18 months of the 2009 biennium from general fund and the last six months from state special revenue generated from fees allowed in SB 133.

DP 5108 - BRD Federal Grants Adjustment HB0002- OTO - The legislative budget includes a restricted, one-time-only federal special appropriation in the amount of \$2,014,785 for FY 2008 only to allow the department to record an accrual for pre-FY 2004 outstanding federal grant awards.

DP 5109 - BRD Administrative Costs Adjustments HB0002 - The legislative budget includes increases in general fund, state special revenue, and federal special revenue for the following administrative cost adjustments:

- Restore per diem and increase travel for the Economic Development Advisory Council of \$7,618 per year
- Operating increases (supplies, communications, training, and travel) for the Small Business Development Center program, \$13,764 per year
- Increased technical assistance costs and employee training for the Micro Business Finance program, \$75,000 per year
- Increased travel and training costs for the Census and Economic Information Center staff to prepare for the decennial census, \$5,000 per year
- Increased rent and indirect costs, \$63,806 in FY 2008 and \$64,808 in FY 2009

In addition, HB 2 includes \$2.0 million state special revenue appropriation authority each year to record loans to certified micro business development corporations on the state accounting system.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5111 - Tribal Economic Development Commission - HB0002 (Requires Legislation)										
51	1.00	85,657	0	0	85,657	1.00	85,752	0	0	85,752
DP 5112 - BRD - Biomedical Research Grant - Bien/OTO										
51	0.00	2,000,000	0	0	2,000,000	0.00	0	0	0	0
DP 6013 - 2009 Biennium Pay Plan - HB 13										
51	0.00	41,827	2,788	8,364	52,979	0.00	99,047	6,472	19,416	124,935
DP 6014 - Retirement Employer Contributions - HB 63 & HB 131										
51	0.00	1,824	70	210	2,104	0.00	1,905	86	258	2,249
Total	1.00	\$2,129,308	\$2,858	\$8,574	\$2,140,740	1.00	\$186,704	\$6,558	\$19,674	\$212,936

DP 5111 - Tribal Economic Development Commission - HB0002 (Requires Legislation) - The legislative budget includes funding for 1.0 FTE each year of the biennium and program costs totaling approximately \$171,000 for the Tribal Economic Development Commission in the 2009 biennium. Section 90-1-131, MCA establishes this commission and attaches it to the Governor's Office. SB 173, passed by the 2007 Legislature, moves the commission to the Department of Commerce.

DP 5112 - BRD - Biomedical Research Grant - Bien/OTO - The legislature approved a one-time-only, biennial \$2.0 million general fund appropriation for a grant to support innovative biomedical research in Montana. The grant will be used to expand, renovate, and purchase equipment for biomedical research and to expand infrastructure that will enhance the scientific collaborations between independent non-profit researchers and researchers in the Montana University System. Funds will be used by the grantee to leverage additional private or federal funds.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in CY 2008 and an additional \$36 per month in CY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 63 & HB 131 - The legislature adopted HB 63 and HB 131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Language

The legislature approved the following language for inclusion in HB 2. The Governor vetoed this language.

"Tribal Economic Development/Reporting includes \$200 for semiannual reports to the Legislative Finance Committee, State-Tribal Relations Committee, and members of the Joint Appropriations Subcommittee on Natural Resources and Commerce for the following:

- (1) progress toward the goals presented to the Joint Appropriations Subcommittee on Natural Resources and Conservation in the budget analysis expanded narrative and justification accompanying the department's funding request;
- (2) attainment of measurable objectives as outlined in the budget analysis expanded narrative and justification accompanying the department's funding request.

The department shall provide the reports to the Legislative Finance Committee, State-Tribal Relations Committee, and members of the Joint Appropriations Subcommittee on Natural Resources and Conservation by December 31, 2007, and June 30, 2008."

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	491,824	277,771	0	769,595	258,176	0	750,000	1,519,595
Total Costs	\$491,824	\$277,771	\$0	\$769,595	\$258,176	\$0	\$750,000	\$1,519,595
State/Other Special	491,824	277,771	0	769,595	258,176	0	750,000	1,519,595
Total Funds	\$491,824	\$277,771	\$0	\$769,595	\$258,176	\$0	\$750,000	\$1,519,595

Program Description

The Montana Promotion Division strives to strengthen Montana's economy through increased visitor travel, visitor expenditures, and film production in the state. The division works to project a positive image of the state through consumer advertising, electronic marketing, publicity, international and domestic group travel marketing, printing and distribution of literature, assisting in the development of tourism infrastructure, and marketing to motion picture and television production companies. The division provides training and assistance to the Montana tourism industry, administers, and distributes infrastructure grants, and oversees expenditures of six regional non-profit corporations and the eleven qualified convention and visitors bureaus.

Montana Promotion Division responsibilities are outlined in Title 15, Chapter 65, and Title 2, Chapter 15, MCA.

Program Highlights

Montana Promotion Division Major Budget Highlights	
◆	Private funds budgeted in HB 2 increase over 50 percent annually from the FY 2006 base and increases spending authority to \$750,000 annually
◆	The department's share of the lodging facility use tax, which is statutorily appropriated, is estimated to be approximately \$11.3 million annually for Montana travel and tourism promotion while the amount distributed to regional non-profit tourism corporations, which is also statutorily appropriated, is estimated to be approximately \$3.8 million annually

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Montana Promotion Division							
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009	
02000 Total State Special Funds	\$ 491,824	100.0%	\$ 769,595	100.0%	\$ 750,000	100.0%	
02116 Accommodation Tax Account	1,064	0.2%	19,595	2.5%	-	-	
02154 Mt Promotion-Private	490,760	99.8%	750,000	97.5%	750,000	100.0%	
	-	-	-	-	-	-	
Grand Total	\$ 491,824	100.0%	\$ 769,595	100.0%	\$ 750,000	100.0%	

The Montana Promotion Division is funded by state special revenues, derived from 67.5 percent of the 4 percent Montana lodging facility use tax “remaining after statutory deductions” and from private funds. The private funds appropriated in this bill and shown in the table above fund numerous private organizations throughout Montana that produce and distribute cooperative advertising and joint promotional activities. This public/private partnership is funded cooperatively with the state and typically receives funding from private partners to develop and distribute targeted marketing efforts.

Legislative audit costs totaling \$19,595 for this division are funded in this bill from the four percent Montana lodging facility use tax.

The department’s and the regional tourism corporations’ portion of the Montana lodging facility use tax distributed via the Department of Commerce is estimated by the Revenue and Transportation Committee to be approximately \$14.7 million in FY 2008 and \$15.5 million in FY 2009. These funds are statutorily appropriated and do not appear in the table.

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget approved by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Fixed Costs				18,531					(1,064)
Total Statewide Present Law Adjustments				\$18,531					(\$1,064)
DP 5201 - MPD Private Funds & Audit Adjustments HB0002									
0.00	0	259,240	0	259,240	0.00	0	259,240	0	259,240
Total Other Present Law Adjustments	0.00	\$0	\$259,240	\$0	\$259,240	0.00	\$0	\$259,240	\$0
Grand Total All Present Law Adjustments				\$277,771					\$258,176

DP 5201 - MPD Private Funds & Audit Adjustments HB0002 - Private funds from cooperative marketing agreements deposited to the Montana Promotion Division private state special revenue fund totaled \$490,760 in FY 2006. HB 2 adds \$259,240 state special revenue authority each year of the 2009 biennium to increase the program’s private funds account to \$750,000 annually. The private revenue has not exceeded \$600,000 since FY 2002 and has averaged \$537,710 for the last five years. The legislature restricted the increase contained in this decision package for use in the Montana Promotions Division only.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	13.00	0.00	5.75	18.75	0.00	6.00	19.00	19.00
Personal Services	671,499	36,697	369,656	1,077,852	38,756	426,466	1,136,721	2,214,573
Operating Expenses	440,619	110,435	159,999	711,053	103,832	147,864	692,315	1,403,368
Equipment	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	6,615,355	10,702,227	0	17,317,582	(137,660)	0	6,477,695	23,795,277
Total Costs	\$7,727,473	\$10,849,359	\$529,655	\$19,106,487	\$4,928	\$574,330	\$8,306,731	\$27,413,218
General Fund	224,022	28,203	513,053	765,278	26,260	536,847	787,129	1,552,407
State/Other Special	1,262,408	1,994,078	13,959	3,270,445	(6,074)	31,704	1,288,038	4,558,483
Federal Special	6,241,043	8,827,078	2,643	15,070,764	(15,258)	5,779	6,231,564	21,302,328
Total Funds	\$7,727,473	\$10,849,359	\$529,655	\$19,106,487	\$4,928	\$574,330	\$8,306,731	\$27,413,218

Program Description

The Community Development Division works with federal, state, and local governments, private non-profit organizations, and private citizens, in regard to community planning and needs identification, planning and financing for the construction of public facilities, housing development for low and moderate income families, neighborhood revitalization, and coal and hard rock mining mitigation, as well as management of projects funded through division programs.

There are two major programs directly administered by the division: The Community Development Block Grant Program (CDBG), and the Treasure State Endowment Program (TSEP). The Montana Coal Board and the Montana Hard Rock Mining Impact Board are also attached to the Community Development Division for administrative purposes. The division provides office facilities and necessary staff and administrative support for the boards.

These four programs provide both financial and technical assistance to Montana communities, local elected officials and staff, nonprofit organizations, private sector developers and consultants, state and federally-recognized Indian Tribes, and private citizens. Other assisted entities include local planning boards and zoning commissions, community development corporations, human resource development councils, water and sewer districts, fire departments, and housing authorities.

The Community Development Division's responsibilities are primarily mandated in Title 90, Chapter 1 and Chapter 6, MCA; and federal authorizations 24 CFR 570, subpart 1; and 42 USC 5301.

Program Highlights

Community Development Division Major Budget Highlights	
◆	The legislature restored the community technical assistance program, adding 2.00 FTE and \$332,000 general fund
◆	The legislature increased local grant authority for coal board and hard rock mining impact board grants, in anticipation of increased funding available through increased mining activity in the state, \$1.7 million
◆	The legislature approved a new initiative for energy infrastructure promotion and development, 4.00 FTE and \$660,000 general fund

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Community Development Di						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 224,022	2.9%	\$ 765,278	4.0%	\$ 787,129	9.5%
01100 General Fund	224,022	2.9%	765,278	4.0%	787,129	9.5%
02000 Total State Special Funds	1,262,408	16.3%	3,270,445	17.1%	1,288,038	15.5%
02049 Hard Rock Mining	237,277	3.1%	646,484	3.4%	648,785	7.8%
02270 Treasure State Endowment	510,090	6.6%	535,398	2.8%	548,582	6.6%
02511 Coal Board Account	515,041	6.7%	2,088,563	10.9%	90,671	1.1%
03000 Total Federal Special Funds	6,241,043	80.8%	15,070,764	78.9%	6,231,564	75.0%
03059 Community Development Block	6,241,043	80.8%	15,070,764	78.9%	6,231,564	75.0%
Grand Total	\$ 7,727,473	100.0%	\$ 19,106,487	100.0%	\$ 8,306,731	100.0%

The total budget for this division increases 52 percent in the 2009 biennium from the 2007 biennium. General fund increases 237 percent from the 2007 biennium largely due to restoring the Community Technical Assistance Program (see DP 6001) and approving a new energy infrastructure initiative (see DP 6008). General fund also provides a required match for a portion of the administrative costs of the Community Development Block Grant program.

State special revenue comes from three sources and increases in total by 34 percent from the 2007 biennium as described below:

- The Hard-Rock Mining Impact Board is funded by a 2.5 percent allocation of the Metalliferous Mines License Tax. HB 2 includes approximately \$644,000 annually for this program, significantly higher than the \$237,000 base budget expenditures.
- The legislature funds the Coal Board from the oil, gas, and coal natural resource account established by the 2005 Legislature through HB 758. This account receives revenue from a 2.9 percent allocation from the coal severance tax and an allocation from oil and gas production taxes. State law directs how the oil and gas production taxes may be spent, but there is no statutory direction or restriction on how the 2.9 percent allocation from the coal severance tax may be spent. In the 2007 biennium, the legislature appropriated these funds to the Coal Board. FY 2006 base budget expenditures totaled \$515,000. The 2009 Legislature continues this practice. HB 2 includes a \$2.0 million biennial appropriation from this account for Coal Board grants and approximately \$173,000 for the biennium for board operations.
- The Treasure State Endowment Program is funded by interest earnings from the treasure state endowment fund, a sub-fund within the coal tax trust fund. Fifty percent of the coal severance taxes that go into the coal tax trust fund are to be transferred to the treasure state endowment fund for a 23-year period, which began in 1993.

Federal special revenue includes the community development block grant funds. Federal special revenue increases \$8.8 million in FY 2008, one-time-only, to allow the department to record expenditure accruals for outstanding pre-2004 federal grant awards. See DP 6002 for more information.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				64,230					66,370
Vacancy Savings				(29,433)					(29,514)
Inflation/Deflation				1,750					1,882
Fixed Costs				957					(5,600)
Total Statewide Present Law Adjustments				\$37,504					\$33,138
DP 6002 - CDD CDBG Federal Grants Adjustment HB0002	0.00	0	0	8,839,887	0.00	0	0	0	0
DP 6004 - CDD Administrative Costs Adjustments HB0002	0.00	1,412	1,969,234	1,412	0.00	1,351	(30,817)	1,350	(28,116)
DP 6015 - State Motor Pool Rate Change	0.00	(1)	(59)	(30)	0.00	(1)	(62)	(31)	(94)
Total Other Present Law Adjustments	0.00	\$1,411	\$1,969,175	\$8,841,269	0.00	\$1,350	(\$30,879)	\$1,319	(\$28,210)
Grand Total All Present Law Adjustments				\$10,849,359					\$4,928

DP 6002 - CDD CDBG Federal Grants Adjustment HB0002 - The legislative budget includes a restricted, one-time-only federal special revenue appropriation of \$8,839,887 for FY 2008 only to allow the department to record an expenditure accrual for pre-2004 outstanding federal grant awards.

DP 6004 - CDD Administrative Costs Adjustments HB0002 - The legislative budget includes the following adjustments to the division base budget:

1. Per diem for the Coal Board and the Hard Rock Mining Impact Board -- \$3,600 for the biennium;
2. Maintenance of the hard rock mining impact account reserve as required by Section 90-6-304(2), MCA -- \$200,000 restricted appropriation for the biennium;
3. Increased local grants from Coal Board and Hard Rock Mining Impact Board funds -- \$1.72 million for the biennium; and
4. Increased rent and indirect costs paid to the Director's Office/Management Services Division for support services provided to supported Divisions, Bureaus, and Programs -- \$15,462 for the biennium.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6001 - CDD Community Technical Assistance Program HB0002										
60	2.00	166,026	0	0	166,026	2.00	166,170	0	0	166,170
DP 6008 - Energy Infrastructure Promo & Dev Pgm - OTO										
60	3.75	330,000	0	0	330,000	4.00	330,000	0	0	330,000
DP 6013 - 2009 Biennium Pay Plan - HB 13										
60	0.00	16,779	13,503	2,566	32,848	0.00	40,411	31,225	5,698	77,334
DP 6014 - Retirement Employer Contributions - HB 63 & HB 131										
60	0.00	248	456	77	781	0.00	266	479	81	826
Total	5.75	\$513,053	\$13,959	\$2,643	\$529,655	6.00	\$536,847	\$31,704	\$5,779	\$574,330

DP 6001 - CDD Community Technical Assistance Program HB0002 - The legislature restored funding for the Community Technical Assistance Program (CTAP) at a biennial general fund cost of \$332,196. This funding will be used to hire two FTE to provide technical assistance and training in growth policies, subdivision laws, subdivision review, zoning laws, and zoning administration to local government elected officials, citizen planning board members, zoning commissions, land developers, and engineers.

DP 6008 - Energy Infrastructure Promo & Dev Pgm - OTO - The legislature added a one-time-only \$660,000 general fund appropriation and 3.75 FTE in FY 2008 and 4.00 FTE in FY 2009 for a new initiative to promote and develop energy infrastructure in Montana. Some of the activities that will be undertaken by the program will include the following:

- Facilitate the planning, development, economic analysis, and coordination of energy facilities that impact Montana;
- Assist in investigating, planning, establishing, and coordinating energy corridors, and
- Participate in regional transmission organizations established in response to or in compliance with orders of the federal energy regulatory commission or any regional energy initiatives.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in CY 2008 and an additional \$36 per month in CY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 63 & HB 131 - The legislature adopted HB 63 and HB 131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Description

The Facility Finance Authority was created by the 1983 Legislature to assist health care and related facilities in containing future health care costs by offering debt financing or refinancing at low-cost, tax-exempt interest rates for buildings and capital equipment. The legislature extended eligible facilities to include community pre-release centers. Cost savings are shared with consumers in the form of lower fees.

The Facility Finance Authority is funded entirely by proprietary funds (enterprise accounting entities 06012 and 06015) with revenues collected from interest, fees, and charges from participating institutions. There are no direct appropriations provided in HB 2.

The authority is primarily mandated in Title 90, Chapter 7 and Title 2, Chapter 15, MCA.

Mission:

To develop and maintain statewide financing programs which provide for and maintain access to the broadest range of low-cost capital financings as possible for eligible non-profit private and public institutions, which will promote affordable access to and availability of services for the consumer.

Goals and Objectives:

To maintain and improve current financing programs while developing new funding options.

- To develop and implement effective financing plans for under served borrowers by pursuing financing options for critical access hospitals and “bank eligibility.”
- To promote a greater understanding and utilization of the authority financing programs by participating in, sponsoring and speaking at conferences and disseminating information to clients and new administrators.
- To provide resources for the advancement of tax-exempt financing on a national level by serving on committees of national organizations and meeting with congressional representatives.

Proprietary Rates**Proprietary Program Description**

The Facility Finance Authority was created by the 1983 Legislature to assist health care and related facilities in containing future health care costs by offering debt financing or refinancing at low-cost, tax-exempt interest rates for buildings and capital equipment. The legislature extended eligible facilities to include community pre-release centers. Cost savings are shared with consumers in the form of lower fees.

The Facility Finance Authority is funded entirely by proprietary funds (enterprise accounting entities 06012 and 06015). There are no direct appropriations provided in HB 2.

The authority is primarily mandated in Title 90, Chapter 7 and Title 2, Chapter 15, MCA.

Customers include health care and related facilities, entities serving persons with development and/or mental disabilities, and prerelease/methamphetamine treatment centers.

There has not been any significant program, service, or customer base change since the last session.

Proprietary Revenues and Expenses

The Facility Finance Authority is funded entirely by enterprise proprietary funds with revenues collected from interest, fees, and charges from participating institutions. There are no direct appropriations provided in HB 2.

The authority has gradually reduced its application and annual administrative fee assessments contingent upon its business volume. Customer volume is assumed to be at the current level throughout the 2009 biennium.

Expense Description:

The major cost drivers within the Facilities Finance Authority are personal services, operating expenses, grants, and expenditures related to the periodic replacement of computer equipment.

Non-typical and one time only expenses, if any, are subtracted from any proposed budgets. Personal services expenditures fund 2.00 FTE and board member per diem.

Working Capital Discussion:

The 60 day working capital calculation is not reasonably applicable to the authority because national bond rating agencies, national bond insurers, and institutional investors expect the authority to reserve two years operating capital (approximately \$664,678) to assure that the authority can financially operate between legislative sessions.

Fund Equity and Reserved Fund Balance:

The total fund equity requirement for the 2009 biennium (\$6,000,000) is derived from the following authority program reserve mandates:

- A. Biennium Working Capital Reserve; \$664,678
- B. Capital Reserve Account (Loan Loss Reserve); \$4,723,031
- C. Facility Direct Loan Program Reserve; \$1,033,100

Proprietary Rate Explanation

The Facilities Finance Authority is funded by two enterprise funds with revenues derived from interest, fees, and charges from participating institutions. The legislature does not approve rates for this program and there are no direct appropriations provided in HB 2. Facility Finance Authority customers are outside of state government. The fee structure that is proposed does not materially vary from that proposed in the last session.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	5.50	0.00	1.00	6.50	0.00	1.00	6.50	6.50
Personal Services	265,760	11,443	53,193	330,396	12,782	67,231	345,773	676,169
Operating Expenses	171,997	4,375	188,809	365,181	(96)	185,334	357,235	722,416
Equipment	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	5,440,847	5,434,938	0	10,875,785	200,000	0	5,640,847	16,516,632
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	354,886	354,886	0	0	0	354,886
Total Costs	\$5,878,604	\$5,450,756	\$596,888	\$11,926,248	\$212,686	\$252,565	\$6,343,855	\$18,270,103
General Fund	0	0	408,723	408,723	0	50,407	50,407	459,130
State/Other Special	0	0	177,443	177,443	0	177,443	177,443	354,886
Federal Special	5,878,604	5,450,756	10,722	11,340,082	212,686	24,715	6,116,005	17,456,087
Total Funds	\$5,878,604	\$5,450,756	\$596,888	\$11,926,248	\$212,686	\$252,565	\$6,343,855	\$18,270,103

Program Description

The Housing Division established on July 1, 1995, consolidated housing programs within the Department of Commerce into one division. The division includes:

- The Board of Housing, a seven-member, quasi-judicial board appointed by the Governor and administratively attached to the Department of Commerce. The board administers the Low-Income Housing Tax Credit, Multi-Family Loan, Reverse Annuity Mortgage, and Single Family Programs
- The Housing Assistance Bureau, comprised of three programs:
 - The HOME program provides grant funds to eligible government entities and Community Housing Development Organizations for assistance in financing new construction or rehabilitation of individual homes or rental units, tenant based rental assistance, and other eligible activities
 - The Housing and Urban Development (HUD) project based Section 8 program provides rental assistance to projects at fixed locations. The department earns fees from HUD under a performance-based contract for the tasks performed
 - The HUD tenant based Section 8 program provides rent assistance for very low income families, including elderly and disabled. Leases are entered on the open rental market between tenants and private landlords. The program makes a subsidy payment to the property owner on behalf of the tenant.

The operating budgets for the Board of Housing and the two Section 8 programs are funded by enterprise funds and are not included in the program proposed budget table above or in HB 2.

Housing Division responsibilities are mandated primarily in Title 2, Chapter 15; Title 90, Chapter 1, and Chapter 6, MCA; 24 CFR 91, and 92; 24 CFR 5, 792, 813, 887, 982, and 984; and the Governor's Executive Order 27-81.

Program Highlights

Housing Division Major Budget Highlights	
◆	The legislature approved a smaller scale version of an executive initiative to form a pilot project to provide safe, energy efficient, and affordable replacement housing and decommission pre-HUD Code owner occupied manufactured housing, 1.00 FTE and \$459,000 general fund
◆	The legislative budget includes a one-time-only \$5.4 million federal appropriation in FY 2008 to allow the department to properly record accruals of pre-2004 outstanding federal grant funds

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Housing Division						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ -	-	\$ 408,723	3.4%	\$ 50,407	0.8%
01100 General Fund	-	-	408,723	3.4%	50,407	0.8%
02000 Total State Special Funds	-	-	177,443	1.5%	177,443	2.8%
02575 Mobile Home Revolving Loan Fund	-	-	177,443	1.5%	177,443	2.8%
03000 Total Federal Special Funds	5,878,604	100.0%	11,340,082	95.1%	6,116,005	96.4%
03110 Hud Comprehensive Counseling	69,384	1.2%	269,980	2.3%	269,979	4.3%
03300 Home Grants	5,809,220	98.8%	11,070,102	92.8%	5,846,026	92.2%
Grand Total	\$ 5,878,604	100.0%	\$ 11,926,248	100.0%	\$ 6,343,855	100.0%

Most expenses of this division are funded through non-budgeted enterprise accounts, including: the Board of Housing Financial Program, Housing Trust Fund, Affordable Housing Revolving Loan, and Revolving Loan Fund.

The legislature approved state special revenue authority for a pilot project that would finance the replacement of pre-HUD Code (1976) owner occupied manufactured housing. General fund is transferred to a state special revenue account and used as a revolving loan fund. Ongoing general fund is also included for 1.0 FTE each year and administrative costs of the pilot project.

HB 2 bill also includes federal special revenue authority for categorical federal grant funds from HUD. Grant funds are distributed using a competitive process to successful local governments and Community Housing Development Organizations with an allowed amount being held back at the state level to administer the program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				22,993						24,387
Vacancy Savings				(11,550)						(11,605)
Inflation/Deflation				424						451
Fixed Costs				1,201						(3,300)
Total Statewide Present Law Adjustments				\$13,068						\$9,933
DP 6015 - State Motor Pool Rate Change										
0.00	0	0	(20)	(20)		0.00	0	0	(21)	(21)
DP 7401 - HD Federal Grants Adjustment -OTO/Restricted										
0.00	0	0	5,434,938	5,434,938		0.00	0	0	200,000	200,000
DP 7409 - HD Administrative Costs Adjustments HB0002										
0.00	0	0	2,770	2,770		0.00	0	0	2,774	2,774
Total Other Present Law Adjustments										
0.00	\$0	\$0	\$5,437,688	\$5,437,688		0.00	\$0	\$0	\$202,753	\$202,753
Grand Total All Present Law Adjustments				\$5,450,756						\$212,686

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 7401 - HD Federal Grants Adjustment -OTO/Restricted - The legislative budget adjusts federal grant authority in the Housing Division as follows: 1) increase federal appropriations \$200,000 per year for anticipated increased funding for the HUD Comprehensive Home Buyer Counseling program; and 2) include a restricted, one-time-only federal special appropriation (Rst/OTO) in the amount of \$5,234,938 for FY 2008 only to allow the department to record an accrual for pre-FY 2004 outstanding federal grant awards.

DP 7409 - HD Administrative Costs Adjustments HB0002 - The legislative budget adds \$5,544 in the 2009 biennium for a built in 2 percent annual lease adjustment per terms of lease.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
74	0.00	0	0	10,424	10,424	0.00	0	0	24,407	24,407
DP 6014 - Retirement Employer Contributions - HB 63 & HB 131										
74	0.00	0	0	298	298	0.00	0	0	308	308
DP 7411 - HD Manufactured Home Renovation Program										
74	1.00	408,723	0	0	408,723	1.00	50,407	0	0	50,407
DP 7412 - HD Manufactured Home Renovation Program SSR Approp										
74	0.00	0	177,443	0	177,443	0.00	0	177,443	0	177,443
Total	1.00	\$408,723	\$177,443	\$10,722	\$596,888	1.00	\$50,407	\$177,443	\$24,715	\$252,565

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in CY 2008 and an additional \$36 per month in CY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 63 & HB 131 - The legislature adopted HB 63 and HB 131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 7411 - HD Manufactured Home Renovation Program - The legislature approved \$459,130 general fund to implement a new pilot project to replace pre-HUD code (1976) owner-occupied manufactured homes. 1.00 FTE and operating costs are budgeted at \$104,244 for the 2009 biennium and are part of the budget base. The remaining \$354,886 will be transferred to a state special revenue account for the revolving loan fund.

DP 7412 - HD Manufactured Home Renovation Program SSR Approp - The legislative budget includes this adjustment to implement the revolving loan fund that is part of the pilot project to replace pre-HUD code owner-occupied manufactured homes.

Proprietary Program Description

Montana Board of Housing

The Montana Housing Act of 1975 created the Montana Board of Housing. The board is an agency of the state and operates within the Department of Commerce for administrative purposes. The powers of the board are vested in the seven members, appointed by the Governor, subject to the confirmation of the State Senate. The board provides policy direction to the agency staff, authorizes bond issues, approves development financing, and evaluates Board of Housing Programs. These programs include the Homeownership Program, Multifamily Loan Programs, Low Income Housing Tax Credit Program, Housing Revolving Loan Fund, and the Reverse Annuity Mortgage (RAM) Program.

The Board of Housing is funded by four enterprise funds (accounting entities 06030, 06031, 06078, and 06079) with revenues derived from an administrative charge applied to projects and mortgages financed. As such, the legislature does not approve rates for this program. There are no direct appropriations provided in HB 2.

There has not been any significant program, service, or customer base change since the last session. The Board of Housing is primarily mandated in Title 2, Chapter 15; and Title 90, Chapter 1, and Chapter 6, MCA.

Proprietary Revenues and Expenses

The Single Family program earns the bulk of its income from the spread between the interest yield on the Single Family Mortgage loans and the yield on the bonds. The board is allowed to earn 1.5 percent on Pre 1980 Single Family Programs and 1.125 percent on the Post 1980 Single Family Programs.

The board also charges a cancellation fee of 0.5 percent of the loan amount reserved. Approximately 5 percent of loans reserved are cancelled. These fees are capitalized and are amortized as income over the life of the loans, as required by generally accepted accounting principles. Extension fees and late fees are also charged. The majority of these fees are capitalized and amortized over the life of the loans. The extension fees are 0.25 percent of the loan amount and the late fees are 0.5 percent of the loan amount. The amortization of these fees results in an average of approximately \$250,000 of income per year. These fees are deposited with the trustees and are used to originate new mortgages.

The board charges 4.5 percent of the amount of tax credit reserved for Low Income Housing Tax Credits, and also charges \$25.00 per unit for compliance fees. Tax credit fees are charged to cover the operating expenses of the program.

Expenses Description

Operations for the 2009 biennium are anticipated to be approximately \$3.9 million for FY 2008 and \$3.8 million for FY 2009. The operations of the board include purchasing mortgage loans, receiving repayments and prepayments, investing funds, issuing and redeeming bonds. During FY 2006, the board purchased \$153.0 in mortgages and received \$142.0 million in mortgage repayments, prepayments, and interest. The board issued \$155.0 million in new bonds and paid \$49.0 million in bond interest and principal. The board employs 21.5 FTE.

Working Capital Discussion:Collection Of Mortgage Payments & Purchase Of Loans:

Each month the board receives funds from the financial institutions that service the board's Single Family and Multifamily loans. The funds include the amount of principal, interest, less servicing fees (0.375 percent, 0.125 percent and 0.10 percent of the principal balance) that are due on the board's loans. The board's trustees collect the money. Twice monthly, the board purchases loans from new bond proceeds, prepayments or other revenues.

The board receives tax credit reservations fees when the tax credits are approved. These fees are deposited with the state treasurer and are used to cover expenses of the program. Reservations fees on the Single Family and Multifamily Programs are deposited with the trustees when the approved loans are reserved. They are deposited in the program acquisition account and are used to originate new mortgages.

Payment of Bond Debt

Principal and interest, on the Multifamily and Single Family Bond issues, is due on each February 1, June 1, August 1, and December 1. Scheduled debt payments for 2007 are \$50,624,869; 2008 are \$52,049,419; and 2009 are \$52,819,204.

Investments

The deposit of the initial bond proceeds, used for purchasing loans, is normally invested in a fixed-rate guaranteed investment contract. All debt service reserve funds and mortgage reserve funds that must be held as security for the bondholders are invested in long-term securities, repurchase agreements or guaranteed investment contracts. Under the Multifamily Program, the funds are invested to the next debt service date or to a loan purchase date.

Other Mortgage Purchases

The board purchases reverse annuity mortgages (RAM). The RAM loans are not repaid until the borrower dies or sells their home. These amounts are assets of the board and the interest is accrued monthly, but we may not receive the principal and interest repayments for many years.

The board also purchases out of the Housing Revolving Loan Program. These loans can be due on sale or amortizing. These amounts are assets of the board and the interest is accrued monthly.

Proprietary Program Description**HUD Section 8 Housing**

There are two HUD Section 8 Housing programs.

The Project Based Section 8 program is the HUD contract administrator for low-income rental properties HUD subsidizes throughout the state. The program provides rental assistance to projects at fixed locations. Landlords perform administrative tasks at the local level. The agency performs annual property reviews, oversees property management, and makes rent subsidy payments to owners. The agency earns fees from HUD under a performance-based contract for the tasks performed. The program provides 4,268 rental housing units in 100 projects for low income and elderly families in the state.

The Tenant Based Section 8 program provides rent assistance for very low income families, including elderly and disabled, to ensure they have decent, safe, and sanitary housing. Leases are entered on the open rental market between tenants and private landlords. The program makes a subsidy payment to the property owner on behalf of the tenant. Payments are based on applicable unit rent limits and tenants generally pay 30 percent of their income towards rent and utilities. Approximately 4,100 families are served in this program.

The HUD Section 8 Housing programs are funded by two enterprise funds (accounting entities 06075 and 06074) with revenues derived from the HUD performance based annual contribution contracts.

The Section 8 Housing programs are primarily mandated in 24 CFR Parts 5, 8, 35, 792, 813, 880, 882, 883, 887, 888, 891, 903, 982, 984 and 985 of the Code of Federal Regulations Section 8 Housing authorization and the Governor's Executive Order 27-81 Authorization of Section 8 Housing.

Proprietary Revenues and Expenses

There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is assumed the Section 8 programs workload and customer level will remain constant.

The administration side of the program does not currently make enough from HUD to fully fund administrative operations, so retained earnings, and interest on them are used to make up the difference between needed revenues and administration expenses for the program. It is anticipated that the retained earnings will continue to fund the program indefinitely, unless there are more negative changes upcoming from HUD. The retained earnings are limited to use for operation of the program by federal code.

The Project Based Section 8 Contract Administration is funded through a performance based contract with HUD, based on a 5 year renewable RFP. The program is entering its seventh year, and the department expects HUD to extend the contract in future years, as it has obtained an outstanding review score in most years it has administered the program. Administrative costs are paid as a fixed percent of the HUD fair market rent, currently 2 percent, with a provision for another 1 percent awarded for superior performance, or 1 percent removed for failure to perform. The amounts received are based in 17 different incentive based performance standards, each of which is evaluated by HUD. Retained earnings are to be used for operations of this program. Funding for rents is paid by HUD, based on actual contracts negotiated between the department and the 107 individual owners of the projects, set up on a procedure dictated by HUD.

Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Project Based Section 8 program is authorized 7.00 FTE and the Tenant Based Section 8 program is authorized 12.00 FTE; for a total 19.00 FTE.

There has not been any significant program, service, or customer base change since the last session; however the federal government has proposed maintaining the levels of funding for the Housing Choice Vouchers program with only a minor increase effectively allowing the program to serve fewer families with rising costs for rent and utilities.

Program Description

The Board of Investments invests all state funds in the Unified Investment Program, established under Article VIII, Section 13 of the Montana Constitution. Local governments may invest in the Short-Term Investment Pool (STIP). The board manages seven investment pools, which operate like mutual funds.

- Retirement Funds Bond Pool
- Trust Funds Bond Pool
- Short Term Investment Pool
- Montana Domestic Stock Pool
- Montana International Equity Pool
- Montana Private Equity Pool
- Montana Real Estate Pool

Annual audited financial statements are prepared for each investment pool. Investments not managed in pools are included in an "all other funds" financial statement. The In-State Investment Program consists of Montana residential mortgages purchased by the state's two large pension funds and commercial loans funded by the Coal Tax Trust. The board also issues tax-exempt bonds and lends the proceeds to eligible government agencies for a variety of purposes.

In addition to the board's investment responsibilities, it is charged with creating solutions to financial issues facing new and expanding businesses in the State of Montana. To accomplish this goal, the board administers a number of different loan programs that can be specifically tailored to meet an individual business's or local government's needs.

The Board of Investments is funded with both enterprise and internal service type proprietary funds, and no direct appropriations are provided in HB 2.

Board of Investment responsibilities are outlined primarily in Article VIII, Section 13 of the Montana Constitution, Title 2, Chapter 15, and Title 17, Chapters 5 and 6, MCA.

Proprietary Program Description**Unified Investment Program**

The Board of Investments manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Section 17-6-201, created the Board of Investments, and gave the board sole authority to invest state funds. The board also invests local government funds at their discretion. The board currently manages an investment portfolio with a market value of approximately \$11.2 billion. The board manages the portfolio under the "prudent expert principle."

To provide for diversification and reduced risk, the board manages several investment pools in which funds of similar types are invested. The Legislative Auditor audits the board annually. The board consists of nine members appointed by the Governor.

In-State Investments

Section 17-6-305, MCA authorizes the board to invest up to 25 percent of the Permanent Coal Tax Trust Fund to assist Montana's economic development. This "In-State Investment Program" makes business loans from the trust in participation with financial institutions. The board lends trust fund monies to local governments to fund infrastructure that will serve job-creating businesses locating in the government's jurisdiction. The board also lends low-interest monies funded from the trust to value-added type businesses creating jobs. Throughout FY 2006, the board purchased Montana residential mortgages with pension funds as part of the In-State Investment Program.

INTERCAP Program

The board sells tax-exempt bonds and lends the proceeds to eligible governments for a variety of projects. Loan terms range from one to ten years, and short-term loans to finance cash flow deficits or bridge financing are also available. The INTERCAP and In-State Investment Programs were created in fiscal year 1984 as part of the "Build Montana" program.

Board of Investments customers include: state agencies, the university system, local governments, financial institutions, and local economic development organizations.

There has been no significant change in the services provided by the Board of Investments from those provided in the last biennium, although the investment portfolio continues to grow in size and complexity.

Proprietary Revenues and Expenses

Revenue Description

The Board of Investments is funded by two proprietary fund types. Accounting entity 06014, an enterprise fund, funds the INTERCAP or bond programs. Accounting entity 06527, an internal service fund, funds the Investment Programs.

Nearly all bond program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270 day fund balance is required to provide adequate funding for the bond program between draws. Remaining revenues are received monthly from the board's contract with the Montana Facility Finance Authority.

Nearly all investment program revenues are generated from charges to each account that the board invests. The revenue objective of the Investment Program is to fairly assess the costs of operations while maintaining a reasonable and prudent 60 day working capital reserve.

The Board of Investments does not receive any direct appropriations.

Expense Description

The major cost drivers within the Board of Investments are personal services, operating expenses and expenditures related to the periodic replacement of computer equipment. Additionally, over \$3.068 million was disbursed from accounting entity 06014 in FY 2006 via a statutory appropriation for debt service requirements related to the state's bonding activity.

Please note that accounting entity 06527 also pays for 1.00 FTE in the Treasurers' Office in the Department of Administration through a direct appropriation in HB 2.

There is little uncertainty in forecasting major cost drivers and for the purposes of this analysis it is assumed the division's workload and customer levels will remain constant, although investment portfolios will continue to grow in size and complexity.

Non-typical and one time only expenses, if any, are subtracted from proposed budgets. The Board of Investments is authorized 34.00 FTE (approximately 30.00 funded from accounting entity 06527, and 4.00 funded from accounting entity 06014) and personal services expenditures include board member per diem.

Proprietary Rate Explanation

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures similar to what occurs in HB 2 and setting the fee at that level. This methodology is continued in the 2009 biennium because it provides an easy comparison with historical financial activity.

Proprietary Significant Present Law

The Board of Investments accounting entity 06527 has two decision packages which affect portfolio assessments.

DP 7501 – BOI Investment Research & Investment Tools – This adjustment increases the board budget \$390,000 annually for the following investment research and tools:

- 1) General investment consultant to assist in asset allocation, conduct pension fund asset/liability studies, and assist in the selection and monitoring of external investment managers, at an annual additional cost of \$105,000;
- 2) Specialist real estate consultant to search for and assist in finding real estate managers for the new real estate

- pool created by the board, at an annual cost of \$150,000;
- 3) Anticipated cost increase for the financial system software used by the board staff to provide security research and portfolio order management, at an additional annual cost of \$75,000; and
 - 4) Additional research tools, at an additional annual cost of \$60,000.

The total cost of this decision package is \$390,000 in FY 2008 and FY 2009 and is funded from accounting entity 06527. This decision package would impact assessments as follows:

	FY 2008	FY 2009
Requested Fee Assessment	\$4,664,072	\$4,664,072
Decision Package Amount	\$390,000	\$390,000
Variance:	\$4,274,072	\$4,274,072

DP 7502 - Administrative Costs Adjustments – This adjustment adds \$225,822 in FY 2008 and \$83,968 in FY 2009 and is funded from the board's internal service fund which derives revenue from administrative fee assessments. Adjustments are included for overtime, per diem, rent adjustments, and indirect cost adjustments. Funding is also included for asset/liability studies of seven smaller pension funds at an estimated cost of \$140,000 in FY 2008 only (\$20,000 * 7 = \$140,000). This decision package would impact assessments as follows:

	FY 2008	FY 2009
Requested Fee Assessment	\$4,664,072	\$4,664,072
Decision Package Amount	\$225,822	\$83,968
Variance:	\$4,438,250	\$4,580,104

Proprietary New Proposals

There are no new proposals for accounting entity 06527.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grants	625,646	100,000	0	725,646	100,000	0	725,646	1,451,292
Total Costs	\$625,646	\$100,000	\$0	\$725,646	\$100,000	\$0	\$725,646	\$1,451,292
Federal Special	625,646	100,000	0	725,646	100,000	0	725,646	1,451,292
Total Funds	\$625,646	\$100,000	\$0	\$725,646	\$100,000	\$0	\$725,646	\$1,451,292

Program Description

The Director's Office/Management Services Division consists of three programs:

- The Director's Office assists the department with executive, administrative, legal, and policy guidance. This office acts as the liaison among private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, and the Governor's office in the effort to improve and stabilize the economic climate in Montana
- The Management Services Division provides internal support to all agency divisions, bureaus, and programs. Services provided by the Management Services Division include accounting, budgeting, fiscal management, contracting, purchasing, information technology, human resources, payroll, benefits, and training.
- The Montana Council on Developmental Disabilities provides planning that assists Montanans with disabilities to live, work, and participate in their communities

The Director's Office/Management Services Division responsibilities are mandated primarily in Title 2, Chapter 15 and Title 90, Chapter 1, MCA. The Montana Council on Developmental Disabilities' responsibilities are mandated primarily in Title 53, Chapter 20, MCA.

Program Highlights

Director's Office/Management Services Division	
Major Budget Highlights	
◆	The legislature approved a \$100,000 federal grant authority increase each year for the Montana Council on Developmental Disabilities, which is administratively attached to this division
◆	The management services indirect charge rate approved by the legislature is 14 percent in FY 2008 and 13.75 percent in FY 2009

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table							
Director/Management Serv							
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009	
03000 Total Federal Special Funds	\$ 625,646	100.0%	\$ 725,646	100.0%	\$ 725,646	100.0%	
03441 Ddpac - Dev Disabled Council	625,646	100.0%	725,646	100.0%	725,646	100.0%	
	-	-	-	-	-	-	
Grand Total	\$ 625,646	100.0%	\$ 725,646	100.0%	\$ 725,646	100.0%	

The Montana Council on Developmental Disabilities is entirely funded with federal special revenues and is shown in the proposed budget table in this narrative. The Director's Office/Management Services Division is funded by an internal service proprietary fund from indirect costs charged to all agency programs.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 8105 - MSD MCDD Federal Grants Adjustment HB0002										
0.00	0	0	100,000	100,000		0.00	0	0	100,000	100,000
Total Other Present Law Adjustments										
0.00	\$0	\$0	\$100,000	\$100,000		0.00	\$0	\$0	\$100,000	\$100,000
Grand Total All Present Law Adjustments				\$100,000						\$100,000

DP 8105 - MSD MCDD Federal Grants Adjustment HB0002 - The legislative budget adds \$100,000 federal special revenue authority each year of the 2009 biennium for increased grants for the Montana Council on Developmental Disabilities.

Proprietary Program Description

The Director's Office assists the department with executive, administrative, legal, and policy guidance. This office acts as the liaison among private business, local governments, administratively-attached boards, public and private interest groups, the legislature, Indian tribes, individuals, and the Governor's office in the effort to improve and stabilize the economic climate in Montana.

The Management Services Division provides internal support to all agency divisions, bureaus, and programs. Services provided by the Management Services Division include accounting, budgeting, fiscal management, contracting, purchasing, information technology, human resources, payroll, benefits, and training.

Proprietary Revenues and Expenses

Revenue Description:

The Director's Office/Management Services Division; is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the divisions indirect cost plan. Indirect costs are allocated to supported programs based upon federally calculated, and legislatively approved indirect cost rates applied to actual personal services expenditures.

Expense Description:

The major cost drivers within the Director's Office/Management Services Division are personal services, operating expenses and expenditures related to the periodic replacement of the agency's computer equipment.

Non-typical and one-time-only expenses are subtracted out of the division's future cost projections before calculating the indirect rate. For the purposes of projecting the indirect rate for the 2009 biennium, it is assumed the agency's divisions, bureaus, programs, and staff remains constant. The proposed indirect cost rate will fund 17.00 FTE in the 2009 biennium, 0.50 FTE more than the number of FTE approved in the 2007 biennium.

Working Capital Discussion:

The division's indirect cost rate is calculated by dividing projected annual expenses, plus a nominal 60 day working capital reserve, by the projected actual personal services expenses of supported divisions, bureaus, and programs. Federally funded programs are allocated indirect costs by an annually calculated indirect cost rate, while state funded programs are allocated indirect costs via a legislatively approved indirect cost rate.

The division's working capital objective is to recover the costs necessary to fund the division's ongoing operations. The division needs to maintain a nominal 60 day working capital reserve to meet ongoing operational costs.

Fund Equity and Reserved Fund Balance:

At the proposed rates, the department projects a fiscal year end 2009 ending working capital reserve of approximately 60 days. All interest earnings on the working capital reserve are distributed to the state general fund.

Proprietary Rate Explanation

The division negotiates a federal indirect cost rate on an annual basis. The negotiated rate is a fixed rate for federally funded programs. This rate is then applied against actual federally funded personal services expenditures within the department, not including the Director's Office/ Management Services Division.

The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the division under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

The division's indirect cost rate is determined based on guidelines prescribed by the federal government. Additionally, the division complies with 17-3-111, MCA, which requires agencies to calculate a rate that would recover indirect costs to the greatest extent possible. In order to comply with this statute, the division has requested a rate that may vary slightly from the annually calculated federal rate. The rate approved by the legislature is considered a cap; therefore, the division cannot impose a rate higher than what has been approved by the legislature. However, the annually calculated federal rate may be slightly lower.

Proprietary Significant Present Law

The present law adjustments for this proprietary fund include the replacement of the Department's main file servers and disk storage units; the addition of 0.50 FTE to be used to enhance the agencies web presence; and administrative costs, such as overtime, computer equipment based upon 4 year replacement schedules, and annual rent increases.

The impact of these present law adjustments on the requested rate is shown below.

Hardware Replacements OTO:

	FY 2008	FY 2009
2009 Biennium Requested Rate	14.000%	13.750%
2009 Biennium Rate W/O Hardware	13.130%	13.645%
Variance:	0.87%	0.105%

Web Developer:

	FY 2008	FY 2009
2009 Biennium Requested Rate	14.000%	13.750%
2009 Biennium Rate W/O Web Dev.	13.645%	13.432%
Variance:	0.355%	0.318%

Administrative Costs:

	FY 2008	FY 2009
2009 Biennium Requested Rate	14.000%	13.750%
2009 Biennium Rate W/O Admin Costs	13.831%	13.635%
Variance:	0.169%	0.115%

Proprietary New Proposals

There are no new proposals.